ISSUE
9
QUARTERLY NEWSLETTER
EDITION SPRING 2022

James River Wealth Advisors™

Starting...Now!

In This Issue:

Our Values.

- To treat each client as they want to be treated.
- To give back to our community.
- To live by the principles of our faith.

Our Actions.

- Every client now receives a complimentary financial plan.
- We act on a model of service: to our clients, to our community, and to each other.

Starting...Now!

When is the best time to plant a tree?

According to the old Chinese proverb, the best time was 20 years ago, but the second-best time is now.

There's such great wisdom in that proverb when it comes to your financial strategy, especially when you consider the bumpy start the economy has taken so far this year.

Volatility can cause anxiety. Maybe you're worried you aren't on track for the retirement you envision. Maybe you think it's too late to start. I'm here to tell you that it's not.

Starting now, we can work together on a strategy that puts you in the best path possible to pursue your long-term goals. Starting now, we can modify our existing strategy to meet new economic realities or as your goals evolve. Starting now, we can build your confidence in the financial future you want for yourself and your family.

Let's keep the conversation flowing. Here are some great articles to start with. Reach out with your thoughts.

Thank you,
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You Got Richer During This Pandemic. Early Retirement is Still Risky.

If you own stocks or real estate, you're probably richer than you were when the pandemic began. That could put early retirement within reach. Taking such a step is still risky.

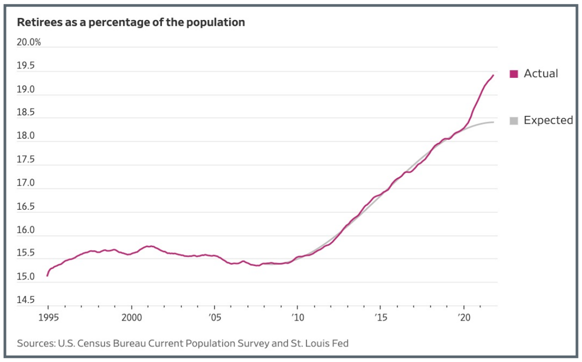
Many are already taking the plunge. Roughly 4.2 million people left the workforce while the pandemic spread across the country, according to Federal Reserve Bank of St. Louis senior economist Miguel Faria-e-Castro, and more than one in three did so partly because of rising portfolio and home values. This helped push the percentage of retirees in the U.S. population to 19.4% as of October 2021, up from 18.3% in early 2020.

Greg Gressel decided to retire after being laid off from his job at Hershey Co. in 2020. The 56-year-old, who now lives in Durango, Colo., said he felt comfortable doing so because a bull market and rise in his home's value pushed his net worth above his retirement savings goals.

"I feel guilty saying this, but financially, Covid is the best thing that ever happened to me," Mr. Gressel said.

Going for the Golden Years

Roughly 2.6 million more people in the U.S. retired than expected from February 2020 to October 2021.



Sources: U.S. Census Bureau Current Population Survey and St. Louis Fed

Moving up a retirement date can be a gamble. People who leave jobs early forfeit the chance to save additional sums and must make their holdings last longer. Some underestimate expenses, including for health insurance before Medicare begins at 65. If a correction occurs early in retirement, losses can be magnified and it can be harder to recover.

Yet there are good reasons for workers to feel more confident now about the power of their nest eggs. One is the performance of the pandemic-era stock market; since March 31, 2020, the S&P 500 has risen 90.7%, including dividends. The other is the housing market, which exploded with demand as the pandemic triggered a scramble for more living space. The median existing-home price soared 17% in 2021 to a record $346,900, according to the National Association of Realtors.

U.S. families are now much richer—at least on paper. The average net worth of households headed by someone aged 55 to 64 rose by $180,095 between Jan. 1, 2020 and Sept. 30, 2021, according to Dr. Faria-e-Castro's analysis of data from the Federal Reserve. That was an increase of 15.3%. For those 65 to 74, the average boost was $194,127, or 16%.

The start of 2022 offered a reminder of how quickly some of those numbers can change. The S&P 500 fell 5.3% in January, and the technology-heavy Nasdaq retreated further. Many market forecasters are predicting lower returns ahead.

"People forget that markets go down," said Sharon Oberlander, an adviser at Merrill Lynch Wealth Management in Chicago. Given the strong performance of stocks since the pandemic hit, some early retirees may have "an exaggerated sense of optimism about future returns."

The key in any early retirement decision, according to financial advisers, is to plan carefully. Some advisers suggest dialing back on riskier investments or reducing spending targets to enhance odds of making the money last. Research firm Morningstar Inc. recently recommended that retirees who want a steady inflation-adjusted income over three decades spend no more than 3.3% of their savings at the start of their golden years, revising that guideline from 4%. It did so because of expectations of lower returns in the years ahead.

Write to Anne Tergesen at anne.tergesen@wsj.com

Dow Jones & Company, Inc.

Three Takeaways From a Momentus Month in Markets

The past month sent three important messages about the U.S. economy, markets and the Federal Reserve.

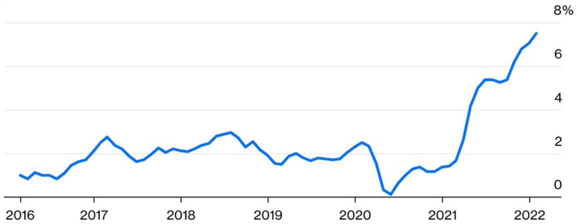
First, inflation is growing more embedded in the economy in a way that makes policy makers deeply uncomfortable. Second, more investors and consumers see the pace of price increases -- and potential Federal Reserve response -- as expediting an economic downturn. Third, although the collective wisdom of the markets suggests investors are sure where growth and inflation will end up, the path to getting there looks much more alarming.

So, despite the government saying Thursday that its consumer price index rose 7.5% in January from a year earlier, the biggest increase since 1982, there still seems to be a massive divide between those who believe inflation has become entrenched and those who believe that it will prove transitory, even if they don't want to use the "T" word.

Shooting Higher

Inflation is the highest in four decades, leading many to doubt it will quickly reverse lower

- Consumer Price Index YOY



Sources: U.S. Labor Dept., Bloomberg

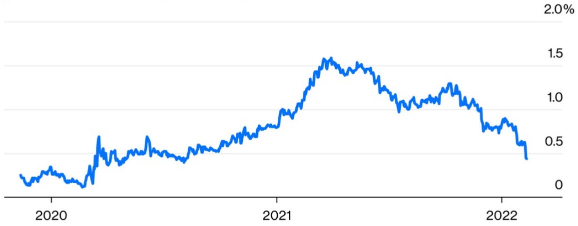
Federal Reserve Bank of St. Louis President James Bullard appeared to side with the entrenched camp by saying he favored raising the central bank's target for the federal funds rate — currently at 0.25% — 100 basis points by July. Market expectations for a 50-basis-point rate increase at the Fed's next policy meeting March 15-16 surged to a 90% chance at one point from a negligible one just a few weeks ago.

Even though bond yields shot up, the way yields rose seemed to support the transitory camp, if only because the economy is headed for a dramatic slowdown. More specifically, the gap between short- and long term yields, better known as the yield curve and a traditional indicator of coming economic distress, contracted dramatically. The difference between two- and 10-year Treasury note yields narrowed to less than 44 basis points, the least since August 2020. Also, longer-term inflation expectations fell, with the five-year, five-year forward breakeven rate dropping to 2.1% from as high as 2.4% in October.

Ominous Sign

The yield curve is rapidly narrowing, suggesting investors expect the economy toslow significantly

- Gap between 2- and 10-year Treasury yields



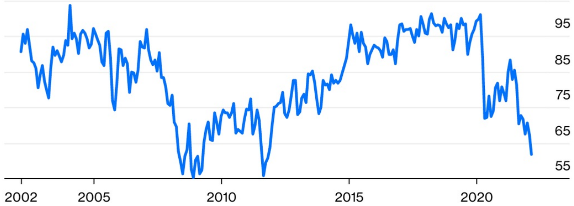
Source: Bloomberg

Perhaps more importantly, the University of Michigan's consumer sentiment index for February fell substantially more than forecast, dropping to the lowest since 2011. The survey showed that consumers expected inflation to average 5% over the next year, up from last month's reading of 4.9% and the highest since 2008, but they left their view of longer-term inflation unchanged at a more moderate 3.1% rate.

Unhappy Consumers

Sentiment among Americans is dropping fast, further suggesting a slower economy lies ahead

- University of Michigan Sentiment Index



Sources: University of Michigan, Bloomberg

The near-term outlook for price increases prompted 26% of consumers surveyed to say they expect their financial prospects to worsen, the highest share since 1980. After all, recent increases in compensation have failed to keep pace with inflation, meaning so-called real wages are declining. In fact, the consumer price index report showed that average real weekly wages fell by 3.1% in January from a year earlier, the most in data going back to 2007. This will make many Americans less willing to keep buying at the same pace given the greater cost of goods.

It's also notable that Treasuries still served as a haven for investors on Friday when concern mounted that a Russian invasion of Ukraine might happen within days. Yields on 10-year Treasuries fell back below where they were ended Wednesday, the day before they shot up following the consumer price index report. Although investors seem worried about inflation getting away from the Fed, they're not worried enough to shun the creditworthiness of the world's biggest economy in times of trouble.

Many influential investors and economists believe we're in a period of more entrenched inflation, but the market keeps seeing a much slower path of economic growth ahead. We are in unprecedented economic times, and nobody can know for sure what lies ahead, but the signal from the collective view of the markets is clear: we're heading to the same place we were before the pandemic. The path there, however, just got much rockier.

Lisa Abramowicz is a co-host of "Bloomberg Surveillance" on Bloomberg TV.

This column does not necessarily reflect the opinion of the editorial board or Bloomberg LP and its owners.

Rates Are Rising. You Want a Ho

It's what you think you want most in the world. It costs more than nearly anything else you'll ever buy. The price may have risen over $50,000 last year. And now, here you are, trying to figure out what the machinations of the Federal Reserve might mean for you and your home purchase.

That's hard, and I'm sorry. If it's any consolation, professional prognosticators don't know what's going to happen next, either.

"We know every forecast will be wrong," said Douglas G. Duncan, senior vice president and chief economist for Fannie Mae.

One thing seems certain: The Fed is planning to raise the rates that banks charge each other for short-term loans. That will increase borrowing costs for all kinds of loans — although mortgages aren't as directly connected to those increases as others.

The Fed's goal is to tamp down overall inflation, but the weird circumstances caused by the pandemic mean the housing market might not obey.

That means you'll have to be flexible. So start with the knowable.

There were double-digit percentage price increases last year on what is now, at the median, a $408,000 collection of new gypsum and sticks. (It's $350,000 for existing homes.) Mortgage rates have already risen more than a percentage point off their record lows. And sales have jumped to start the year as many buyers tried to lock in a more attractive rate than what might be available in just a few months.

Now take some deep breaths. You have questions about what this means. These answers should help.

Q: The Fed sure seems like it's going to raise rates next month. What's going to happen to mortgages?

A: Mortgage interest rates will probably rise before the year is over, from their current level of 3.92%. But it's not just Fed rate increases in play here. There is an unusual action that may come from the central bank that could drive an increase.

The federal government owns enormous bundles of home mortgages that live inside bonds, which it bought in recent years to stabilize the housing market and the overall economy.

The housing market is more than fine now, and the Fed wants out of those bonds sooner rather than later. If it sells too many too fast, however, it could flood the market and force bond prices down.

At that point, bankers trying to package and sell new bundles of mortgages would need those new bonds to pay more to investors so they'll buy them. And in order for those bonds to pay more, homeowners will need to be paying higher interest rates on their mortgages.

That is one likely scenario where mortgage rates would rise further this year.

Q: OK, so mortgage rates may rise some more. Won't prices fall at that point? (Please?)

A: Well, prices stopped growing as quickly as they had been when rates rose for a bit in 2018. Does that help? That could happen this time, too.

But . . . it might not. When you ask people about what they plan to pay if mortgage rates rise, as Andreas Fuster and Basit Zafar did for a paper they published early last year, the responses seemed surprising. The researchers asked what the prospective buyers would be willing to pay if mortgage rates were 6.5% instead of 4.5%.

The respondents' price target was only 5% lower, on average. Nearly half didn't change their figure at all.

That's a sign there could still be a lot of competition among buyers, even with higher mortgage rates. Then again, that survey took place before consumers were so antsy about inflation driving up the costs of day-to-day living.

Q: So you're saying this time is different?

A: Yes — and no. The facts always change, even if economic, stock and housing market cycles are regular (if not predictable or consistently timed) events over our lifetime.

And oh, what a set of facts we have. A pandemic and the government response resulted in many people spending less on travel, commuting, clothes, student loan payments and entertainment.

That put extra money in the down payment accounts of those who didn't lose their jobs or any income. At the same time, the mortgage bundles the Fed was buying helped lead to record-low mortgage rates.

That made it easier to bid up house prices — just as lots of people sped up moving plans in search of more space to work at home and keep kids out of their hair. There was even more competition for available homes, and new homes took longer to build because of supply chain issues and labor shortages.

There's more. Professional investors were buying homes — with the all-cash bids that most sellers prefer and most individual owners can't match — as never before in 2021. According to Redfin, they accounted for 18.4% of the home purchases in the fourth quarter of 2021. In southern and western cities — like Atlanta, Charlotte, Miami, Orlando, Las Vegas and Phoenix — investors accounted for more than a quarter of sales.

These institutional buyers are probably not done, either.

"It's an absolutely terrible time to be a buyer," said Sarah Ponder, a financial planner in Austin, Texas. There, the median home price has risen 30% in the past year, according to the city's Board of Realtors.

Ponder, who specializes in helping real estate professionals and has already done five property transactions of her own in just 15 years of adulthood, pointed to one final X-factor: Folks her age may not know what rapidly rising interest rates do to one's homebuying psyche.

"I'm part of an entire generation of people that are accustomed to low rates," she said. "If and when it normalizes to longer-term averages, then people my age will be relatively unhappy."

Q: Is there any reason for me to rush to figure all of this out?

A: No, even if there has been a spike in purchases lately.

Ponder isn't necessarily advising people to sit this market out, although she would prefer that people not stretch themselves financially. Financial planners — and lenders — generally want people to spend no more than 35% or so of their income on total housing costs. Most people should resist the temptation to push those boundaries; Ponder generally wants her clients well below them.

And remember: Mortgage math in a higher interest rate environment may not be truly horrible as long as a bank will still give you a loan.

A 30-year fixed-rate mortgage of $300,000 has a $1,432 monthly payment if the interest rate is at 4%, near its current levels. At 6% — which, to be clear, would be the highest rate in more than 13 years — the payment would be $1,799. An extra $367 a month is hardly pocket change, but it's a sum that many people may still be able to squeeze out of a budget.

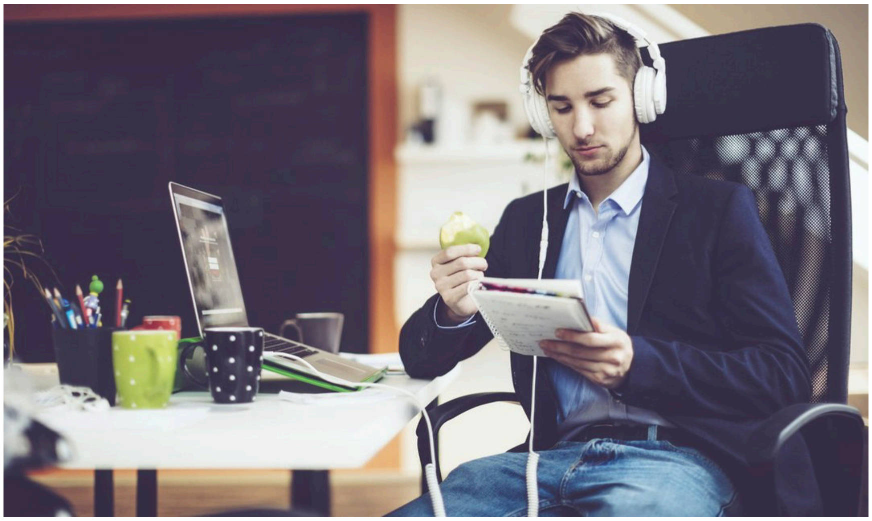
Still nervous? It's worth remembering that playing along is not a requirement. Being a renter is not a disqualifier for life satisfaction. And in some circumstances, buying a home in an environment like this is a recipe for regret.

"The most important thing is to make sure that you're willing to stay at least five years," said Daryl Fairweather, Redfin's chief economist. "Whatever happens in the market, you should gain enough equity where when you sell, you'll come out ahead, even after paying fees."

So maybe this isn't a beware moment just yet. But it's certainly a be wary one.

"What I worry about is people starting to act irrational when trying to compete for a home that they don't actually like," Fairweather said. "The worst case is that you buy it and end up selling it in a year. If the market's down, you could be in a really precarious position."

What 5 Money Questions Rock?



When it comes down to the basics, there are only a few things you need to know about money: How to make it, how to keep it and how to grow it.

I know, I'm oversimplifying. Yet most people don't even know the basic stuff. If they're lucky enough to learn the guiding principles in school, great, but with most of our culture focused on spending, saving gets left in the dust.

I came across this great quiz from the FINRA Education Foundation that should help if you're money challenged. Here's what I distilled from it:

1) You Need to Know About Compound Interest. Most people don't do the math. If you're earning interest or reaping dividends, it grows over time. Let's say you're earning 2% interest on $100. That's not much, but it will increase over time. "A savings account with $100 and a 2 percent annual interest rate would earn $2 in interest for an ending balance of $102 by the end of the first year. Applying the same 2 percent interest rate, the $102 would earn $2.04 in the second year for an ending balance of $104.04 at the end of that year." Think of applying that to larger sums of money over longer periods of time – say 30 years. It adds up and you don't have to do a thing.

2) Know How Inflation Eats Away At Your Money. While inflation may be good for real estate prices, it devours your money because it's all about subtraction. "If the annual inflation rate is 2 percent but the savings account only earns 1 percent, the cost of goods and services has outpaced the buying power of the money in the savings account that year. Put another way, your buying power has not kept up with inflation."

3) Bonds Are Not Safe Investments When Interest Rates Rise. "When interest rates rise, bond prices fall. And when interest rates fall, bond prices rise." If you want to earn better returns in a rising-rate environment, you're better off in a money-market or inflation-adjusted fund.

4) You Can Save Money on Loans Through Lower Rates Over a Shorter Period of Time. Banks make billions on interest payments alone. You can save thousands of dollars with shorter loan terms. "Let's say you get a 30-year mortgage at 6 percent on a $150,000 home. You will pay $899 a month in principaland interest charges. Over 30 years, you will pay $173,757 in interest alone. But a 15-year mortgage at the same rate will cost you less. You will pay $1,266 each month but only $77,841 in total interest—nearly $100,000 less."

5) When Investing in Stocks or Bonds, Diversify. There's often better returns and lower risk in investing in large pools of securities. Index mutual funds are the best vehicles for this purpose. "With a single stock, all your eggs are in one basket. If the price falls when you sell, you lose money. With a mutual fund that invests in the stocks of dozens (or even hundreds) of companies, you lower the chances that a price decline for any single stock will impact your return."

I should also say that having an emergency fund and living within your means are also on the top of my list. But if you start out with these five principles, the power of their ability to preserve and grow your money will not change over time.

By John F. Wasik, Contributor

4 Tips and Tricks for This Chaotic Tax Season

The Internal Revenue Service has a long history of raising taxpayer ire, but this tax filing season could be one for the record books.

With some 11.8 million paper tax returns from previous years yet to be processed by the IRS—many of which sat in heaps in trailers outside processing facilities for months—any 2021 return that requires a human touch or contains a simple math error could be backed up for months, delaying any refunds.

Meanwhile, millions of individual taxpayers are facing unique challenges preparing their returns this tax season, yet severe staffing shortages have crippled the IRS' ability to field calls to answer questions.

A major challenge for taxpayers is how to report pandemic-related stimulus and advanced child-tax-credit payments on their 2021 returns. Normally, the child tax credit is claimed in full on a tax return, but the 2021 credit was partially paid out to many families last year.

"A lot of payments were directly deposited, and people don't even know they got them, let alone how much," says Jennifer Mosley, a senior tax partner at Seattle accounting firm Moss Adams, noting that many people will be surprised by a smaller refund, or may even owe taxes because the credit has already been issued.

Many other taxpayers are grappling with how to submit 2021 returns when their 2020 returns—or even their earlier ones—have yet to be processed.

"It's an absolute disaster," says Ryan Losi, executive vice president of Piascik, an accounting firm in Glen Allen, Va. "Taxpayers are seeing everything from not getting an IRS agent on the phone to getting erroneous letters saying they owe significant amounts, getting wrong information about what forms to file, and not having timely mailed tax payments applied to their accounts."

It isn't just taxpayers who file paper returns who are having trouble. People who file returns with errors also may get held up—and that's potentially a significant group: Math errors flagged by the IRS rose to 11 million last year on 2020 returns from 1.9 million the prior year, mainly because of confusion over how to report the pandemic's early stimulus payments.

The pandemic is responsible for many of the IRS' problems. Administering temporary legislation strained resources, and the agency's offices shut down for several months at the beginning of the pandemic.

But the problems predate Covid-19. Congress has nibbled away at the IRS' budget for more than a decade, impairing the agency's effectiveness. In its fiscal-year 2020, the IRS had 20% fewer full-time workers than it had a decade earlier, and yet the volume of returns has gone steadily up. The telephone response rate has been dismal. Last year, the IRS had 16,000 workers charged with fielding 240 million calls—that's some 15,000 each. Even before the pandemic, the response rate was low—about 35%. This year, the IRS reassigned 1,200 of its workers to the phones to help.

The inadequacy of resources is alarming for an agency tasked with so much, says Janet Holtzblatt, a senior fellow at the Urban-Brookings Tax Policy Center. "I never say never about the IRS' ability to survive challenges, but we're at a situation of biblical proportions," she says.

Aside from collecting taxes and enforcing tax laws, the agency's job is to translate new legislation into specific regulations and procedures that taxpayers can follow.

This is no small task, especially when laws are passed hastily by Congress.

For example, lawmakers scrambled to cobble together the Tax Cuts and Jobs Act in order to pass it before year-end 2017. While the IRS prioritized ironing out guidance on key provisions, it took until 2021 to issue final regulations on all 86 provisions, says Garrett Watson, senior tax policy analyst at the Tax Foundation.

The burden trickles down to individual taxpayers. Advisors and the IRS recommend the following moves to smooth the tax filing process.

1. Submit early, electronically, and opt for direct deposit

Individual taxpayers have a good chance of bypassing the logjams and headaches if they file electronically and as early as possible. Last year, 81% of tax returns were e-filed.

When taxpayers e-file, they should avoid making errors and opt for direct deposit. Any refunds could be issued within 21 days.

2. Time your calls to the IRS

The agency's call center is open weekdays from 7 a.m. to 7 p.m. in all time zones.

While the IRS requests that taxpayers avoid calling and instead use irs.gov to find answers, if you must call, your best chance of actually reaching an IRS agent is before 9 a.m., Tuesday to Thursday, says Angela Anderson, an Atlanta-based certified public accountant and advisor.

3. Monitor your records online

Taxpayers can view their records by creating an account on the IRS website at irs.gov/account. Accounts should reflect any advance child-tax credits or stimulus payments.

4. Request a hold on your account

If you have an unprocessed return from prior years whose refund you intended to apply to a subsequent year, you may be getting erroneous IRS collection notices, says Moss Adams' Mosley.

The situation can escalate to the point where the IRS withdraws funds from your bank account, she says.

"Avoid this by asking the IRS to put your account on hold until your returns are processed," Mosley says.

Of course, to do this, you have to get in touch with the IRS. Keep a couple of aspirin handy.

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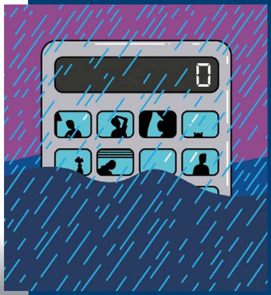

Savvy Seminar Series

Virtual workshops designed to educate and provide practical solutions. **Detailed descriptions and sign-up at www.jamesriverwealth.com/savvy.**

Savvy Caregiving *April*

Four Keys to Making a Difference in a Family Caregiving Challenge. Problem: Elder caregiving is challenging, stress-inducing, and complex. Most families have not planned for it. Solution: A caregiving plan that addresses major aspects of your loved one's life can dramatically lessen the problems and burdens of caregiving.

A caregiving plan ultimately impacts all generations of your family. It's never too late to start. Families need to ask ... What happens when an elderly parent needs caregiving? What's the best way to guarantee our loved ones get the best care possible? Do we know who will oversee our parents' care? Has anyone discussed how caregiving expenses will be covered? Do we have a clear understanding of the personal, residential, medical, legal, and financial issues involved with caregiving?

Savvy Social Security *May 2022*

What Baby Boomers Need to Know About Their Retirement Income. Understanding the value of Social Security, Things to know about Social Security, Will Social Security be there for me?

Baby Boomers are asking ... Will Social Security be there for me? How much can I expect to receive? When should I apply for Social Security? How can I maximize my benefits? At this informative seminar you will learn important rules and strategies for collecting your retirement benefits. The decisions you make today can have a tremendous bearing on the total amount of benefits you stand to receive over your lifetime.

Savvy IRA Planning *August 12, 2022*

Savvy IRA Planning for Baby Boomers. You know, a lot of people have a plan for accumulating money for retirement, but far too often, that's where the planning stops. That's not good enough. The reality is that a sound distribution strategy – in other words, a plan for taking money out of your retirement accounts – is just as important, if not more so.

Baby Boomers are asking ... What type of retirement account is right for me? Can I still contribute to a retirement account and if so, how much? When do I need to take withdrawals and how much do I have to take? How are my IRA withdrawals taxed? How does my IRA fit into my overall plan? What happens to my IRA when I die? How can I minimize taxes so I can spend more of my hard-earned money? The decisions you make today can have an impact on your overall retirement plan.

Savvy Medicare Planning *October*

Managing Health Care Expenses in Retirement, What Baby Boomers Need to Know About Medicare and Long-Term Care and 3 Key points expanded.

Now is the time to start planning for health care expenses in retirement. Find out what you need to do to obtain the coverage you need and protect against rising costs. You should attend this workshop if you are concerned about retirement health care expenses, you are age 60 or over, you plan to take Medicare soon, you are already taking Medicare and if you are ready to start planning.

Savvy Cybersecurity *November*

Are you one of those 14 million? Has your personal information been exposed in a data breach or hack? The statistics say, "Most likely." The past few years have given us record-breaking breaches. Solution: A Personal Cybersecurity System.

Identity theft is one of the fastest growing crimes with data breaches, computer hacks, phishing, and more. Learn the top 10 tactics used by fraudsters and the ways you can start to protect yourself, your family, and your business today.

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Please let us know what you think about some of these newest efforts to keep our clients informed and connected, we would love to have your feedback! You can share your thoughts to our new dedicated email for clients customerappreciation@jrwealth.com

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